

Message Text

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TAGS: EAGR, ECON, EFIN, ETRD, CH
SUBJ: THE NATIONAL CONFERENCE ON FINANCE AND TRADE

REF: HONG KONG 8389

1. SUMMARY: THE NATIONAL CONFERENCE ON FINANCE AND TRADE WAS OPENED ON JUNE 20 BY A WIDE-RANGING SPEECH BY VICE PREMIER LI HSIEN-NIEN (REFTEL). A SPEECH BY VICE PREMIER YU CHIU-LI, DELIVERED ON JULY 2, FLESHED OUT LI'S REMARKS BY INSTRUCTING FINANCE AND TRADE DEPARTMENTS TO: GIVE PRIORITY SUPPORT TO AGRICULTURE AND TO THE ESTABLISHMENT OF PRODUCTION BASES FOR ECONOMIC CROPS; IMPROVE THE TERMS OF TRADE FOR THE RURAL SECTOR; ASSIST IN THE REALIZATION OF A BIG INCREASE IN FOREIGN TRADE BY ADOPTING SUCH INTERNATIONAL PRACTICES AS PAYING FOR IMPORTS OUT OF FACTORY OUTPUT, SETTING UP EXPORT BASES AND FACTORIES, ETC.; PROMOTE BETTER ENTERPRISE MANAGEMENT AND INCREASED PROFITS; AND PLAY A MORE ACTIVE ROLE IN INTERNATIONAL FINANCE. NOW THAT THE CENTRAL GOVERNMENT IS MOVING TO EFFECT STRUCTURAL CHANGES IN SOME INDUSTRIES AND RAISE EFFICIENCY THROUGHOUT THE ECONOMY, IT IS EMPHASIZING THE "ACTIVE AGENT" ROLES OF THE FINANCE AND TRADE DEPARTMENTS. THIS IS ALSO TRUE IN AGRICULTURE, WHERE MORE POSITIVE PRODUCTION INCENTIVES MAY BE IN PROSPECT. END SUMMARY.

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2. ON JUNE 20 A NATIONAL CONFERENCE OF DEPARTMENTS OF FINANCE AND TRADE ON LEARNING FROM TACHING AND TACHAI WAS CONVENED IN PEKING. OVER 5,000 DELEGATES ATTENDED, MAKING THIS THE LARGEST CONFERENCE OF ITS KIND EVER HELD IN CHINA. THE CONFERENCE WAS CONVENED BY A DECISION OF THE CENTRAL COMMITTEE AND TOP PARTY AND STATE LEADERS MADE APPEARANCES AND IN SOME CASES PRESIDED AND SPOKE. THE ROLE AND IMPORTANCE

OF PARTY MEMBERS IN MANAGEMENT WAS HIGHLIGHTED AND ANALYZED IN IMPORT
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SPEECHES. MAJOR ADDRESSES WERE MADE BY VICE PREMIER LI HSIEN-NIEN (ON
JUNE 20) AND VICE PREMIER YU CHIU-LI (OFC JULY 2). LI AND YU ADDRESSED
THEIR REMARKS TO OVER 12 MILLION EMPLOYEES OF THE PRC'S "FINANCIAL AND

TRADE DEPARTMENTS," THE MOST IMPORTANT OF WHICH IS THE PEOPLE'S BANK
OF CHINA. OTHER "DEPARTMENTS" PRESUMABLY INCLUDE BANK OF CHINA, THE
PEOPLE'S CONSTRUCTION BANK OF CHINA, THE NETWORK OF AGRICULTURAL CREDIT

COOPERATIVES, LOCAL AND NATIONAL TRADE CORPORATIONS, THE ALL-CHINA
FEDERATION OF SUPPLY AND MARKETING COOPERATIVES, THE MINISTRY OF
COMMERCE AND THE STATE STORES DIRECTLY SUBORDINATE TO IT, THE CHINESE
PEOPLE'S INSURANCE COMPANY, AND THE MINISTRY OF FOREIGN TRADE.

4. YU'S SPEECH REITERATED MOST OF THE POINTS MADE BY LI HSIEN-NIEN
(REFTEL) AND OFFERED FAIRLY SPECIFIC INSTRUCTIONS TO FINANCE AND
TRADE DEPARTMENTS. YU'S REMARKS UNDERSCORE THE PRIORITY OF AGRICULTURE:
E;

THE IMPORTANCE OF FOREIGN TRADE IN CHINA'S PLANS AND THE NEW PRC
PRAGMATISM TOWARD FOLLOWING "INTERNATIONAL PRACTICES;" THE ROLE OF
FINANCE AND TRADE DEPARTMENTS IN ASSISTING, AUDITING AND SUPERVISING
ENTERPRISE OPERATIONS, PARTICULARLY IN FINANCIAL AREAS; THE PRC'S
PLANS TO BE MORE ACTIVE IN THE AREA OF INTERNATIONAL FINANCE; AND
THE EXPANDED ROLE OF PARTY AGENCIES IN DIRECTING FINANCE AND TRADE
WORK IN THE FUTURE.

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5. THE MOST NOTEWORTHY OF YU'S COMMENTS WERE AS FOLLOWS:

-- CHINA MUST BE SELF-RELIANT IN SOLVING ITS FOOD PROBLEM; BY 1985
AN INCREASE OF OVER 60 PERCENT IN MARKETED GRAIN IS DEMANDED. THE
FINANCE AND TRADE DEPARTMENTS MUST SUPPORT THE ESTABLISHMENT OF
MARKETABLE GRAIN BASES AND STATE FARMS THAT ARE MORE MODERN AND
HAVE HIGHER PRODUCTIVITY. THEY SHOULD ALSO ASSIST GRAIN-DEFICIT AREAS
IN ATTAINING SELF-SUFFICIENCY. THE SYSTEM OF STATE PROCUREMENT AND
MARKETING OF GRAIN WILL BE CONTINUED AS PRODUCTION RISES SO THAT
NATIONAL AND COLLECTIVE RESERVES CAN BE INCREASED.

-- FINANCE AND TRADE DEPARTMENTS SHOULD SUPPORT ESTABLISHMENT OF
"PRODUCTION BASES" FOR ECONOMIC CROPS, LIVESTOCK AND FISH WHERE
CONDITIONS ARE FAVORABLE. THE PRINCIPLE OF "TAKING GRAIN AS THE KEY
LINK" APPLIES TO THE COUNTRY AS A WHOLE, BUT NOT TO EACH COMMUNE.

-- UNDER THE CENTRAL PLAN, FINANCE AND TRADE DEPARTMENTS SHOULD
IMPROVE THE TERMS OF TRADE OF THE RURAL SECTOR, BY GRADUALLY LOWERING
PRICES CHARGED FOR MANUFACTURED GOODS AND RAISING PRICES OFFERED FOR
AGRICULTURAL PRODUCE.

-- FINANCE AND TRADE DEPARTMENTS SHOULD PROMOTE AND AID CONSTRUCTION

AND PRODUCTION BY ASSISTING THE EXPANDING DEPARTMENT IN PREPARATION,
COORDINATION AND EXECUTION OF PLANS IN AGRICULTURAL, INDUSTRIAL AND
COMMERCIAL AREAS. ATTENTION MUST BE PAID TO BALANCING INCREASES IN
PERSONNEL AND PURCHASING POWER WITH ADDITIONAL SUPPLIES OF COMMER-
CIAL GRAIN AND CONSUMER GOODS; CALCULATING PRECISELY THE INVESTMENT,
CAPITAL AND WORKING CAPITAL REQUIRED IN CAPITAL CONSTRUCTION PROJECTS
AS WELL AS MATERIALS AND EQUIPMENT AND MAKING SURE THERE IS A BALANCE

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AND PERIODICALLY RETIRING DEBT. ENTERPRISES SHOULD COOPERATE WITH
FINANCE AND TRADE DEPARTMENTS AS THEY EXERCISE THEIR SUPERVISORY ROLES

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-- MODERNIZATION REQUIRES A BIG INCREASE IN FOREIGN TRADE. CHINA NEED
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TO UTILIZE ITS ABUNDANT LABOR AND EXCESS EQUIPMENT IN SOME AREAS TO
EXPAND: PROCESSING OF IMPORTED RAW MATERIALS, PRODUCTION ACCORDING TO
IMPORTED DESIGNS, AND ASSEMBLY FOR EXPORT. IF TECHNOLOGY OR
EQUIPMENT IS INADEQUATE, CHINA CAN USE THE COMPENSATION METHOD OF
IMPORTING TECHNOLOGY AND EQUIPMENT AND MAKING REPAYMENT WITH PRODUCTION.
EXPORT BASES AND FACTORIES PRODUCING EXCLUSIVELY FOR EXPORT
WILL BE ESTABLISHED. THE AMOUNT OF FOREIGN EXCHANGE EARNED AND EARNES

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NESS IN CARRYING OUT CONTRACT PROVISIONS WILL BE THE MAIN INSPECTION

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CRITERIA FOR FACTORIES ENGAGED IN EXPORT WORK. AT PRESENT SOME ADDITIONAL EXPORT GOODS ARE NEEDED; GOODS-SUPPLYING REGIONS AND DEPARTMENTS WILL RECEIVE A CERTAIN AMOUNT OF FOREIGN EXCHANGE.

-- AT PRESENT THE MOST IMPORTANT WAY TO INCREASE BUDGETARY REVENUES AND LOANABLE CAPITAL IS TO TAP THE HUGE POTENTIAL OF EXISTING ENTERPRISES THROUGH RECTIFICATION OF WORK AND ELEVATION OF MANAGEMENT LEVELS. IN ACHIEVING THE FOUR MODERNIZATIONS WE NEED TO GRADUALLY ESTABLISH A COMPLETE MANAGEMENT SYSTEM AND MANAGEMENT METHOD THAT CONFORMS TO THE NEEDS OF MODERNIZATION. FINANCIAL DEPARTMENTS MUST, THROUGH FINANCIAL MANAGEMENT, SCRUTINIZE AND DIRECT ALL ECONOMIC ACTIVITY OF ENTERPRISES TO ENSURE THAT THEY PRODUCE MORE FOR THE STATE AND REMIT EVEN MORE PROFIT.

-- AS REVENUES INCREASE AND UNDER OTHER CONDITIONS, THE STATE WILL MAKE MORE FINANCIAL RESOURCES AVAILABLE TO LOCALITIES FOR THEIR OWN PROJECTS. AT PRESENT ONE OF THE MAIN FINANCIAL PROBLEMS IS THAT INVESTMENT IN CAPITAL CONSTRUCTION PROJECTS IS TOO DISPERSED. THE STATE WILL STRICTLY INVESTIGATE THIS SITUATION AND REALLOCATE FUNDS; THE CONSTRUCTION BANK WILL SUPERVISE. TO BETTER SUPPORT AGRICULTURE THE STATE WILL GRADUALLY INCREASE PROVISION OF CREDIT ABOVE THE PRESENT LEVEL OF OVER 100 MILLION YUAN. THE PEOPLE'S BANK AND CREDIT COOPERATIVES SHOULD AT THE SAME TIME ATTRACT RURAL SAVINGS.
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-- THE PRC'S INTERNATIONAL FINANCIAL ACTIVITIES ARE TO INCREASE WITH THE INCREASE IN TRADE AND INTERNATIONAL EXCHANGES. CHINA NEEDS TO PLAN TO UTILIZE ITS FOREIGN EXCHANGE, DO A BETTER JOB IN ATTRACTING OVERSEAS REMITTANCES, AND UPGRADE INTERNATIONAL CLEARING AND INSURANCE SERVICES. THROUGH ITS FOREIGN BANKING ACTIVITIES, CHINA WILL LAUNCH A STRUGGLE AGAINST INTERNATIONAL FINANCIAL HEGEMONISM.

6. COMMENT: FINANCIAL AND TRADE WORK SUFFERED DURING THE CULTURAL REVOLUTION YEARS. THERE IS SOME EVIDENCE THAT THE PEOPLE'S BANK PARTLY ABROGATED ITS RESPONSIBILITY FOR AUDITING ENTERPRISE OPERATIONS AND ENFORCING FINANCIAL DISCIPLINE. AT THE SAME TIME RURAL PROCUREMENT SUFFERED AS PEASANTS WERE DISCOURAGED FROM ENGAGING IN HOUSEHOLD HANDICRAFT PRODUCTION AND OTHER SIDELINE ACTIVITIES WHICH ORDINARILY PROVIDE A LARGE PROPORTION OF BOTH DOMESTIC AND EXPORT GOODS. THE POST-MAO LEADERSHIP'S DETERMINATION TO NORMALIZE FINANCIAL AND TRADE WORK WAS DEMONSTRATED AT THE FIFTH NPC WHEN THE PEOPLE'S BANK AND THE ALL-CHINA FEDERATION OF SUPPLY AND MARKETING COOPERATIVES (ACFSMC)

WERE ELEVATED TO THE MINISTRY LEVEL (THE NEW STATUS OF THE ACFSMC IS PARTICULARLY NOTEWORTHY AS PREVIOUSLY IT WAS A COLLECTIVE, NON GOVERNMENTAL ORGANIZATION).

7. THE NATIONAL FINANCIAL AND TRADE ORGANS ARE EXTENSIONS OF CENTRAL GOVERNMENT AUTHORITY AND CAN HELP ENFORCE NATIONAL PRIORITIES OVER LOCAL ENTERPRISES AND OPERATIONS. NOW THAT THE GOVERNMENT IS MOVING TO EFFECT CERTAIN STRUCTURAL CHANGES IN SOME INDUSTRIES -- SUCH AS INCREASING FACTORY SPECIALIZATION -- AND TO RAISE THE LEVEL OF EFFICIENCY THROUGHOUT THE ECONOMY, THE "ACTIVE AGENT" ROLE OF THESE DE LIMITED OFFICIAL USE

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PARTMENTS IS BEING EMPHASIZED. THE CONFERENCE'S AIM IS TO ENSURE THAT THE FINANCIAL AND TRADE DEPARTMENTS AND PARTY CADRE UNDERSTAND CENTRAL PLANS AND IMPLEMENT THEM EVEN IN THE FACE OF LOCAL RESISTANCE. FOR EXAMPLE, THE CONSTRUCTION BANK WILL PLAY THE SUPERVISOR'S ROLE AS WELL AS THAT OF SOURCE OF FUNDS IN CAPITAL CONSTRUCTION PROJECTS, WHICH MAY BE PARTICULARLY SUBJECT TO LOCAL TAMPERING.

8. IF THE STATE IS TO CHANGE ESTABLISHED PATTERNS IN AGRICULTURE IT WILL HAVE TO RELY MORE ON POSITIVE INCENTIVES (OR THE REMOVAL OF DISINCENTIVES) SUCH AS ADJUSTMENTS IN PURCHASE PRICES AND EASIER PROVISION OF CREDIT. THE GOVERNMENT SEEMS TO HAVE DECIDED TO ADOPT SOME NEW PRICE INCENTIVES IN ORDER TO INCREASE BOTH THE OUTPUT OF GRAIN AND OF SUBSIDIARY CROPS THAT ARE IMPORTANT BOTH DOMESTICALLY AND IN FOREIGN TRADE. THIS WILL UNDOUBTEDLY REQUIRE INCREASED BUDGETARY EXPENDITURE (OR REVENUE LOSS), BUT IS PART OF THE POLICY OF PLACING AGRICULTURE FIRST. ANY INCENTIVE POLICY FOR AGRICULTURE MUST INCLUDE PROVISION OF MORE INDUSTRIAL CONSUMER GOODS TO THE PEASANTS AT REASONABLE PRICES, AND AT PRESENT CHINA IS A LONG WAY FROM ACHIEVING THIS.

9. WITH THE PROMULGATION OF THE "30 POINTS FOR INDUSTRY" THE POST-MAO LEADERSHIP HAS CODIFIED AN INDUSTRIAL POLICY WHEREIN ENTERPRISE PROFITABILITY WILL BE A KEY MEASURE OF SUCCESS. THESE PROFITS WILL UNDERWRITE CHINA'S ECONOMIC CONSTRUCTION IN THE FORESEEABLE FUTURE AND IT IS THE JOB OF THE FINANCIAL AND TRADE DEPARTMENTS AND PARTY CADRE TO PROMOTE ENTERPRISE PROFITABILITY AND TO DELIVER PROFITS TO THE STATE TREASURY. THE BUDGET DEFICITS OF THE LAST FEW YEARS ARE PROOF THAT BOTH THE ENTERPRISES AND THE FINANCIAL AND TRADE DEPARTMENTS NEED TO DO BETTER. WOODCOCK

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